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JOINT ECONOMIC COMMITTEE

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United States Senate

WASHINGTON, DC 20510-4605

September 20, 2008

The Honorable Christopher Dodd
Chairman, Senate Committee on Banking, Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Dodd:

I am fully aware of your grave responsibilities as the conduit (to use Majority Leader Reid's term) between the Bush Administration and the Senate as we evaluate the recent proposal to remedy perhaps the most serious economic situation since the beginning of the Great Depression. It is in that profoundly concerned spirit that I am writing this letter. It is my strongly-held view that any legislation which grants the administration's proposal for the Treasury Department to purchase mortgage-related assets also contain two non-negotiable provisions. First, there must be language which strengthens the regulatory structure. Second, it is imperative that any such legislation also caps executive compensation for any companies receiving a bailout financed by the taxpayers of our country.

With respect to the first provision, it is inarguable that the regulatory structure now in place has not protected either our financial system or the U.S. taxpayer. The administration is asking for an unprecedented rescue of the most profitable institutions in America with the taxpayers footing the bill. No bailout should occur without a return to increased regulation governing, at the very least, minimum capital requirements, avoidance of conflicts of interest, and protection against stock manipulation. Personally, I am inclined to recommend returning to the provisions contained in the Glass-Steagall law that was overturned nearly ten years ago.

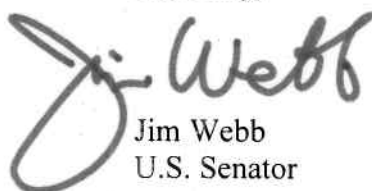
Second, we must ensure that executive compensation in those companies being rescued by American taxpayers is reasonable in scope. Executive compensation in the United States is outrageously out of proportion with any other period in our history, and with any other major country in the world today. When I graduated from college the average CEO made 20 times the compensation of the average worker. Today the average CEO in the United States makes 400 times what the average worker makes. By contrast, in Japan the average CEO makes 10 times the compensation of Japanese workers, and in Germany CEO's make 11 times that average.

If federal tax money is being used to bail out an American company, the top limit on executive compensation should be the salary of a federal SES employee, until this crisis has passed and the American taxpayers have been made whole. Unless we insist on this basic principle of fairness, we will rightly risk the condemnation of our

fellow citizens. Further, as the government purchases securities using this new authorization, it must do so at true market value or less. To do otherwise would subsidize those who precipitated this crisis.

I appreciate your consideration of these suggestions, and I remain sobered by the very serious decisions that will be on your shoulders over the next several days. I and many others have been warning for several years that the excessive practices on Wall Street were risking our position in the world community and were unfair to the average citizen. The decisions we as a government make over the next several days will, in all likelihood, reverberate for years. As we move forward, I stand ready to offer any assistance that you may need.

Sincerely,

A handwritten signature in dark ink, appearing to read "Jim Webb". The signature is fluid and cursive, with a large, sweeping initial "J" and a stylized "W".

Jim Webb
U.S. Senator

cc: The Honorable Richard C. Shelby
Ranking Member
Senate Committee on Banking, Housing, and Urban Affairs